Sarah Walsh
Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (778) 578-3861
Cell: (604) 230-7874
www.fortisbc.com

September 21, 2026

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
Vancouver Centre II
2900 – 733 Seymour Street
Vancouver, BC
V6B 0S6

Attention: Patrick J. Weafer

Dear Patrick J. Weafer:

Re: FortisBC Energy Inc. (FEI)

2027 Annual Review of Delivery Rates (Application)

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1

On July 24, 2026, FEI filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-150-26 and Directive 2 of Order G-201-26, FEI respectfully submits the attached response to CEC Amended IR No. 1, as set out in Exhibit C3-2-1, dated September 10, 2026.[1]

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Registrar
Registered Interveners

[1] For convenience and efficiency, if FEI has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FEI intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

1. Reference: Exhibit B-2, Section 1.4, Page 5, Figure 1-1

FORTISBC ENERGY INC.
ANNUAL REVIEW FOR 2027 DELIVERY RATES

FORTIS BC™

Figure 1-1: 2027 Delivery Revenue Deficiency ($ millions)



1.1 Using 5 years of historical information as a basis for evidence, please clearly identify the areas in which FEI deems it is able is able to exert control in this revenue deficiency, and how that is being done.

Response:

In the 2025-2027 RSF Application (RSF Application), FEI provided a detailed breakdown of the key drivers of the 2020 to 2024 delivery rate increases in Section 2.2.1.1. The information provided in the RSF Application showed that the contributors to the deficiencies vary year-over-year and can be impacted by one-time events (such as the approved increase in FEI's deemed equity thickness and return on equity (ROE) resulting from the BCUC's Decision and Order G-236-23 in Stage 1 of the Generic Cost of Capital (GCOC) proceeding), the timing of Major Projects entering rate base, and changes in deferral account amortization, among other factors.

With regard to the forecast 2027 revenue deficiency, FEI generally characterizes the drivers of the deficiency into two categories:

1. **Components of the revenue requirement/deficiency which have been previously approved.** These include formula O&M, the cost of service impact of regular Sustainment, Growth and Other capital as well as Major Projects, and the cost of service impact of previously approved deferral accounts. At the time FEI applied for approval of these costs, FEI described the need for the costs.
2. **Components of the revenue requirement/deficiency which are forecast annually in the Annual Reviews.** The degree of "control" which FEI exerts over these forecast

revenues/costs varies, and in many cases the revenues/costs are difficult to forecast, which is why FEI is approved to treat many of these items as flow-through. For instance, FEI's actual revenue (compared to forecast) is impacted by weather, which is why FEI has long been approved to record weather-related variances in use per customer (UPC) in the Revenue Stabilization Adjustment Mechanism (RSAM) deferral account.

As discussed above, the majority of FEI's capital expenditures and O&M have been approved either through the RSF Decision or through separate CPCN/Major Project decisions. However, based on the design of the RSF, FEI can exert control over its revenue requirement (and the resulting revenue deficiency each year) in the following ways:

- **Formula O&M:** The approved formulaic approach based on unit cost O&M provides flexibility and efficiency while maintaining a focus on cost control through the earnings sharing mechanism. As demonstrated in the RSF Application, the formulaic approach has resulted in approximately $28 million in O&M savings (including the savings under the productivity improvement factor which ultimately benefits customers) from 2020 to 2024.
- **Three-year Regular Sustainment and Other Capital Forecast:** The three-year approved funding levels for FEI's Sustainment and Other capital provide operational certainty, while the incentive nature (i.e., earnings sharing mechanism) of the RSF promotes a focus on cost control. To the extent that FEI is able to achieve savings, these savings are shared 50/50 with customers.
- **Growth Capital Formula:** The approved formulaic approach based on unit cost ensures the amount of Growth capital that FEI can spend each year is tied to the gross customer additions each year.
- **New Incremental Revenue through RS 46:** FEI is actively pursuing additional revenue opportunities through RS 46 LNG sales. As discussed in the response to CEC IR1 2.1, FEI has been successful in attracting demand for LNG with firm commitments under RS 46. FEI notes, however, that it has been challenging to forecast the RS 46 revenue with a high degree of accuracy (as evidenced by the historical variances between forecast and actual). Accordingly, FEI continues to expect variances between forecast and actual revenue will impact future revenue deficiencies. FEI's ability to flow through the variances in revenue ensures that customers ultimately receive the benefit of higher-than-forecast revenue in future years through amortization of the Flow-through deferral account.
- **Monetization of Carbon Credits:** As discussed in Section 1.4.6 of the Application, FEI was able to reduce the 2027 revenue deficiency through the sale of 60,850 *Clean Fuel Regulations* (CFR) Liquid Class Credits in 2026, all associated with FEI's LNG sales service. The sale of these credits resulted in credit amortization of $19.185 million from the Emissions Regulation deferral account.
- **Use of Deferral Accounts:** It is within FEI's control to seek approval of deferral accounts to manage its revenue deficiency each year (i.e., to provide rate smoothing). This has been the case since 2024, when FEI received approval to smooth the revenue deficiencies (and rate impacts) resulting from the GCOC Stage 1 Decision and Order G-263-23.

Subject to BCUC approval, FEI is also able to exert some control over the timing of when deferral account balances are amortized into rates and over what period of time the balance is amortized.

2. Reference: Exhibit B-2, Section 3, Pages 13,18, 24 & 26

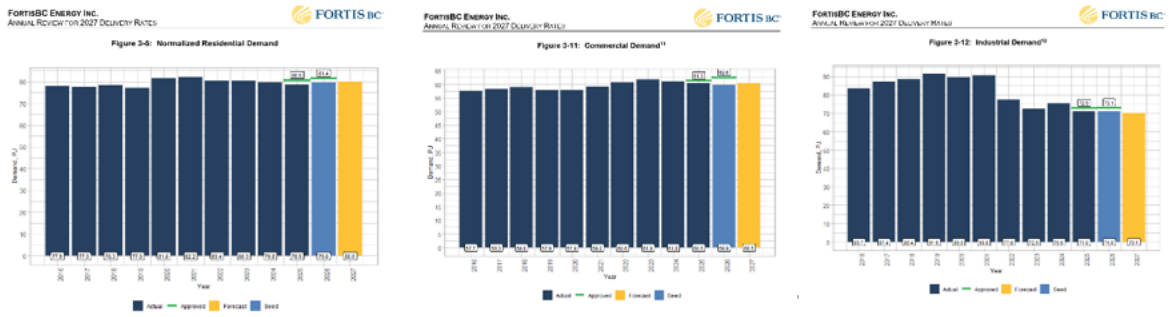
3.1 INTRODUCTION AND OVERVIEW

This section describes FEI's forecast of gas sales and transportation volumes. FEI's demand forecasts have been developed in accordance with the methods approved by the BCUC in the RSF Decision5. As determined in the RSF Decision, the merits of the approved demand forecasting methods are outside the scope of the Annual Reviews during the RSF term.

For 2027, FEI is forecasting normalized demand (2027F) of approximately 218.2 PJ, which is a reduction of approximately 4.0 PJ (or 1.8 percent) compared to the 2026 Approved level. The forecast decrease is primarily from residential, large commercial, and large volume transportation customers, but is partially offset by significant growth in LNG demand under RS 46, which is forecast to increase by approximately 2.4 PJ (or 69.5 percent) from the 2026 Approved level.

At the 2026 Approved rates for each customer class, FEI's 2027 Forecast revenue and delivery margin are $1,861 million and $1,381 million, respectively.

The following sections set out the results of the demand forecasts. In the figures provided in the demand forecast sections, the following time periods are shown:



2.1 The above charts indicate that residential demand and commercial demand are declining, while the industrial demand has experienced a significant decline and is now stable. Please discuss the factors influencing the changes and whether or not these were anticipated in the LTGRP.

Response:

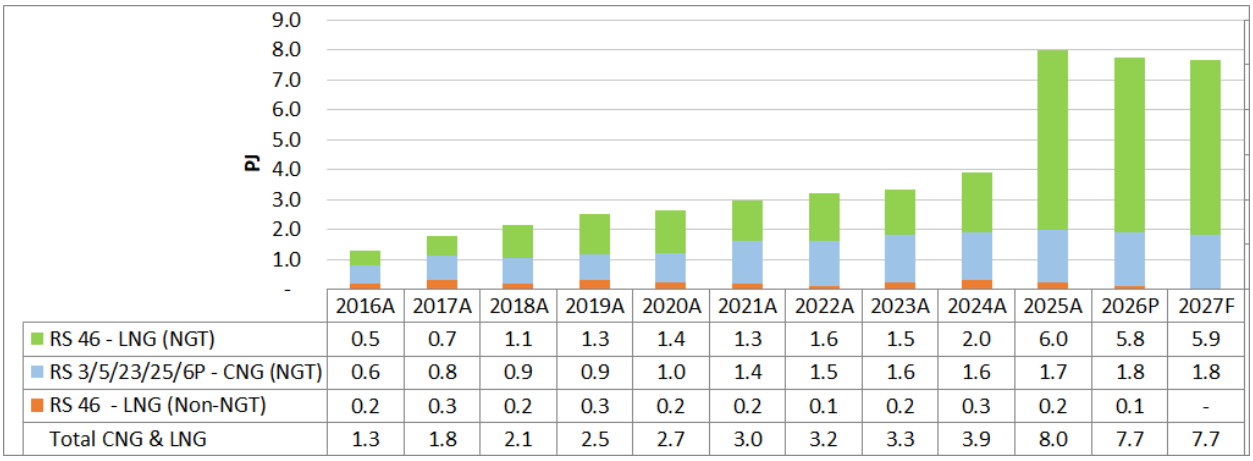
For residential and commercial customers, there are many factors that influence demand including, but not limited to, customer behaviour, economic activity, investment in energy efficiency, government policies (such as environmental policy or changes in carbon tax), adoption of new technology, and changes in housing stock. Given this complexity, FEI is not able to further isolate these factors to determine their relative influence.

For industrial demand, the significant decline shown in Figure 3-12 of the Application is almost entirely due to the expiration of the BC Hydro Island Generation (IG) contract in 2022 that had a

firm demand of 16.4 PJ. This was a one-time event and was discussed in FEI's Annual Review for 2023 Delivery Rates. As noted by the CEC in this question, demand has remained relatively stable since the significant decline that occurred in 2022, and FEI expects industrial demand to remain relatively stable in the near future.

As explained in footnote 12 to Figure 3-12 of the Application, the industrial demand in that figure does not include FEI's CNG and LNG demand. The CNG and LNG demand is provided in Figure 3-13 of the Application and is copied below. There has been rapid growth in the RS 46 LNG demand since 2025, which is primarily driven by marine fueling.

Figure 3-13 of Application: Actual (A), Projected (P), and Forecast (F) Demand for FEI's CNG & LNG Services (PJ)



	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025A	2026P	2027F
RS 46 - LNG (NGT)	0.5	0.7	1.1	1.3	1.4	1.3	1.6	1.5	2.0	6.0	5.8	5.9
RS 3/5/23/25/6P - CNG (NGT)	0.6	0.8	0.9	0.9	1.0	1.4	1.5	1.6	1.6	1.7	1.8	1.8
RS 46 - LNG (Non-NGT)	0.2	0.3	0.2	0.3	0.2	0.2	0.1	0.2	0.3	0.2	0.1	-
Total CNG & LNG	1.3	1.8	2.1	2.5	2.7	3.0	3.2	3.3	3.9	8.0	7.7	7.7

As discussed in detail in the 2026 LTGRP, FEI developed five alternate scenarios to examine the various ways that long-term gas demand could unfold (see Section 3 of the 2026 LTGRP). Generally, and as shown in Figures 3-5, 3-6 and 3-7 of the 2026 LTGRP, the scenarios show a decline in residential and commercial demand and stable/flat industrial demand (excluding CNG and LNG demand). With regard to LNG demand, the 2026 LTGRP forecasts rapid growth driven by marine bunkering and ISO shipments (see Figure 3-1 of the 2026 LTGRP).

2.2 Please provide an explanation as to whether the industrial demand is likely to be stable or growing and particularly address whether the LNG demand for marine LNG to comply with GHG emissions requirements is showing evidence of growing rapidly.

Response:

Please refer to the response to CEC IR1 2.1.

3. Reference: B-2, Section 6, Table 6-2, Table 6-3, Page 41

Table 6-2: Calculation of 2027 Formula O&M ($ millions)

Line No.	Description	2027 Forecast	Reference
1	Prior Year Base Unit Cost O&M ($/customer)	$ 290	G-287-25 2025-2026 Annual Review
2	Net Inflation Factor	1.901%	Section 2, Table 2-4
3	Current Year Unit Cost O&M ($/customer)	$ 296	Line 1 x (1 + Line 2)
4	Average Customer Forecast	1,113,600	Sch 3, Line 20
5	Inflation-Indexed O&M before True-up	$ 329.625	Line 3 x Line 4 / 1,000,000
6	2025 True-up O&M	(0.407)	Line 14
7	Inflation-Indexed O&M	$ 329.218	Line 5 + 6
8			
9	2025 O&M True-up		
10	2025 Actual 12 month Average Customers	1,101,521	Table 2-2 Line 25
11	2025 Forecast 12 month Average Customers	1,102,958	Table 2-2 Line 24
12	Difference (True-up)	(1,437)	Line 10 - 11
13	2025 Unit Cost ($/customer)	$ 283	G-287-25 2025-2026 Annual Review
14	O&M True-up for 2027	$ (0.407)	Line 12 x Line 13 / 1,000,000

Table 6-3: 2027 Forecast O&M ($ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast
1	Pension/OPEB (O&M Portion)	$ 5.725	$ 5.725	$ 6.598
2	Insurance	12.748	11.816	11.665
3	Integrity O&M	12.000	12.900	15.400
4	AMI Flowthrough O&M	25.578	26.334	21.386
5	BCUC Levies	8.208	7.642	7.453
6	**Clean Growth Initiatives:**			
7	RNG O&M	7.946	7.777	8.978
8	Renewable Gas Development	5.084	5.400	5.510
9	NGT O&M	2.994	2.934	3.221
10	Variable LNG Production	11.038	13.260	13.969
11	Total Forecast O&M	$ 91.321	$ 93.788	$ 94.180

3.1 Please provide the true-up actual amounts for the last 5 years.

Response:

Please refer to Table 1 below which provides the following:

- The 2021 to 2025 true-up amounts to formula O&M resulting from the variance between the actual and forecast average customer count; and
- The 2021 to 2025 annual variances between FEI's forecast and actual flow-through O&M (i.e., the true-ups between forecast and actual annual amounts in the O&M categories in Table 6-3 of the Application).

Table 1: True-ups to Formula O&M and Forecast O&M from 2021 to 2025

Actual True-Up (Variance) Amount	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual
Formula O&M ($millions)	$ 0.740	$ (0.262)	$ 0.709	$ 0.937	$ (0.407)
Forecast O&M					
Pension/OPEB	$ -	$ -	$ -	$ -	$ -
Insurance	$ 0.400	$ 0.011	$ 0.129	$ (0.457)	$ (0.038)
Integrity O&M	$ 2.386	$ 0.536	$ 1.812	$ 1.201	$ 2.327
AMI Flow-through O&M	$ -	$ -	$ -	$ -	$ (1.313)
BCUC Levies	$ -	$ -	$ -	$ -	$ -
Clean Growth Initiatives:					
RNG O&M	$ 0.962	$ 0.801	$ 0.959	$ 0.723	$ (0.219)
Renewable Gas Development	$ 0.362	$ 1.583	$ 1.301	$ (1.802)	$ (0.744)
NGT O&M	$ 0.161	$ 0.136	$ 0.439	$ 0.566	$ 0.109
Variance LNG Production	$ (1.041)	$ (0.845)	$ 0.489	$ 0.099	$ 0.619
Total ($millions)	$ 3.229	$ 2.221	$ 5.129	$ 0.330	$ 0.741

4. Reference: Exhibit B-2, Section 7, Rate Base, Table 7-1, Page 57, Table 7-2 Page 58, Table 7-3, Page 78

The components of FEI's 2027 regular capital expenditures are shown in Table 7-1 below.

Table 7-1: Regular Capital Expenditures ($ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast	Reference
1	Formula Growth Capex	$ 71.505	$ 71.505	$ 104.381	Section 11, Schedule 4, Line 10
2	Forecast Sustainment & Other Capex	194.429	194.429	186.697	Section 11, Schedule 4, Line 16 + 17
3	Flow through Capex	5.895	9.885	17.041	Section 11, Schedule 4, Sum of Line 13 to 15
4	Total Gross Regular Capex	$ 271.829	$ 275.819	$ 308.119	Sum of Lines 1 to 3; Section 11, Schedule 4, Line 20
5	Less: Formula CIAC	(2.885)	(2.885)	(1.520)	Section 11, Schedule 9, Line 2
6	Less: Forecast CIAC	(8.443)	(8.443)	(6.067)	Section 11, Schedule 9, Line 3 to 5
7	Net Regular Capex	$ 260.501	$ 264.491	$ 300.532	Sum of Lines 4 to 6

Table 7-2: Calculation of Formula Growth Capital ($ millions)

Line No.	Description	2027 Forecast	Reference
1	Prior Year Base Unit Cost Growth Capital	$ 9,893	G-69-25 and Section 11, Sch 4, Line 2
2	Net Inflation Factor	1.901%	Section 11, Schedule 3, Line 9
3	Current Year Unit Cost Growth Capital	$ 10,081	Line 1 x (1 + Line 2)
4	Gross Customer Addition Forecast	8,800	Section 11, Schedule 4, Line 5
5	Inflation Indexed Growth Capital	$ 88.713	Line 3 x Line 4 / 1,000,000
6	Gross Capital True-up	13.148	Line 16
7	Formulaic CIAC	1.520	Section 11, Schedule 9, Line 2
8	System Extension Fund	1.000	G-338-20 SEF Decision
9	Gross Formula Growth Capex	$ 104.381	Sum of Lines 5 through 8
10			
11	Gross Capital True-up		
12	2025 Actual Gross Customer Addition	11,364	Section 2, Table 2-3
13	2025 Forecast Gross Customer Addition	10,000	G-287-25 2025-2026 Annual Review
14	Difference	1,364	Line 12 - 13
15	2025 Unit Cost Growth Capital ($/customer)	$ 9,639	G-287-25 2025-2026 Annual Review
16	Growth Capital True-up in 2025	$ 13.148	Line 14 x Line 15 / 1,000,000

Table 7-3: Forecast Capital Expenditures ($ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast	Reference
1	Sustainment Capital	$ 131.733	$ 131.733	$ 125.484	Section 11, Schedule 4, Line 16
2	Other Capital	62.696	62.696	61.213	Section 11, Schedule 4, Line 17
3	Total	$ 194.429	$ 194.429	$ 186.697	Line 1 + 2

4.1 Please explain the approximate 42% increase in flow through capital and whether this is indicative of a recovery of demand or an increase in prices.

Response:

FEI is unable to reconcile the 42 percent increase in flow-through capital referenced in the question. FEI provides Table 7-4 of the Application below which shows that the increase in flow-through capital from 2026 Projected to 2027 Forecast is approximately 72 percent (or an increase of approximately $7.156 million).

Table 7-4 of Application: Flow-through Capital Expenditures ($ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast	Reference
1	Pension/OPEB (Growth Capital Portion)	$ 1.095	$ 1.095	$ 1.012	Section 11, Schedule 4, Line 13
2	RNG Capital Expenditures	4.800	1.149	16.029	Section 11, Schedule 4, Line 14
3	NGT Capital Expenditures	-	7.641	-	Section 11, Schedule 4, Line 15
4	Total	$ 5.895	$ 9.885	$ 17.041	Sum of Lines 1 through 3

The drivers of the increase in flow-through capital, which are explained in detail in Section 7.2.3 of the Application, are unrelated to a recovery of demand or an increase in prices.

As shown in Table 7-4 of the Application, almost all of the increase is related to RNG capital expenditures. These expenditures are explained in Section 7.2.3.2 of the Application (and shown in Table 7-5 of the Application) and are primary due to:

- 2027 Forecast capital expenditures of $11.099 million for the Comox Valley Landfill (LF) Project. The Comox Valley LF Project involves constructing a connection to the existing landfill gas collection system. The facilities will include a biogas upgrading plant, an interconnection pipeline, and an interconnection station connecting to FEI's natural gas distribution system; and
- 2027 Forecast capital expenditures of $4.000 million for the Delta RNG (MAS Energy) Project for improvements to the interconnecting pipeline and control valve between the facility and FEI's natural gas distribution system.

5. Reference: Exhibit B-2, Page 5

1.4.4 Rate Base Growth (Section 7)

The 2027 rate base is forecast to increase by approximately $700.927 million compared to the 2026 Approved rate base, which results in an increase to the 2027 Forecast earned return and the 2027 deficiency of approximately $48.538 million. The increase is primarily due to capital additions related to a number of major projects, including the Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) CPCN Project, the AMI CPCN Project, the Okanagan Capacity Mitigation Plan (OCMP) CPCN Project, and the Order in Council (OIC)-approved Tilbury 1A/1B Expansion Project as well as the Eagle Mountain-Woodfibre Gas Pipeline (EGP) Project. These additions are contributing $32.650 million of the $48.538 million ratebase growth-related deficiency in 2027.

5.1 The CEC's understanding is that FEI's ability to influence certain of these costs is limited, and that FEI's focus is now on execution of the projects and not really on anything that can be changed substantially for the 2027 Rates Review. Further, the CEC understands that the smaller portion of $700 million is driven by essential additions, and that FEI does this to respond to demand and system integrity. Please confirm or otherwise explain whether FEI agrees with the CEC's understanding.

Response:

Table 1 below provides a breakdown of the $700.927 million rate base increase from 2026 Approved to 2027 Forecast as well as the equivalent revenue deficiency impact. As shown in the table, the primary driver of the increase is related to approved CPCN/Special Projects, which include, as listed in the preamble:

- The ITS TIMC CPCN Project;
- The AMI CPCN Project;
- The OCMP CPCN Project;
- The OIC-approved Tilbury 1A/1B Expansion Project; and
- The OIC-approved EGP Project.

Table 1: Breakdown of the 2027 Increase of Rate Base and Equivalent Increase of Revenue Deficiency

	2027 Incremental Rate Base	Equivalent Deficiency
Full Year Impact to 2026 Additions	$ 24,744	$ 1,713
Capital Additions		
Regular and Flow-through Capital	177,563	12,296
CPCN and Special Projects	471,491	32,650
Depreciation and Retirement	(153,559)	(10,634)
Unamortized Deferral Accounts	149,254	10,336
Capital Work in Progress, no AFUDC and Working Capital	31,434	2,177
Total	**$ 700,927**	**$ 48,538**

FEI confirms that the majority of the additions for the above CPCN/Special Projects were related to expenditures that had already been approved and incurred by FEI prior to 2027. As Major Project expenditures are approved for flow-through treatment, any variances to the amount of capital additions related to these projects are trued up and recovered from/returned to customers in future years.

For the remaining portion of the $700.927 million, the drivers of the increase are primarily due to regular capital and unamortized deferral accounts. The regular capital for 2027 includes FEI's Growth, Sustainment, and Other capital which was approved as part of the RSF Decision and Order G-69-25. As explained in the RSF Application, the drivers of FEI's regular capital expenditures during the RSF term include growth in demand (Growth capital) and system integrity (Sustainment capital), as well as the following:

- System improvement (Growth capital);
- Meter exchanges and meter set upgrades (Sustainment capital);
- System reliability (Sustainment capital);
- Tools and equipment (Other capital);
- Fleet Services (Other capital);
- Information System requirements (Other capital); and
- Corporate Security and Cyber Security requirements (Other capital).

With regard to unamortized deferral accounts, as explained on page 65 of the Application, the majority of the 2027 Forecast balance is related to the DSM deferral account, followed by the Commodity Cost Reconciliation Account (CCRA), and the two approved AMI Project deferral accounts (i.e., the Existing Meter Cost Recovery deferral account and the Previously Retired Meter Cost deferral account).

5.2 Please provide a detailed description of projects FEI is undertaking to improve its efficiency, cost effectiveness and long-term sustainability for its services to its customers.

Response:

FEI continues to pursue cost-effective projects that have the potential to improve operational efficiency and long-term sustainability of its service to customers.

Two key examples of projects that aim to improve operational efficiency are the approved AMI Project and the approved ERP Modernization Project. Once completed, the AMI Project will enable remote gas consumption measurement which will significantly improve the efficiency of meter readings (which is largely a manual reading process for FEI's residential customers) and will provide O&M cost savings. The recently approved ERP Modernization Project is expected to create operational efficiencies and cost savings in areas such as warehouse inventory, asset management and maintenance, and customer service. Further, the cloud-based system is expected to reduce capital and O&M costs needed for on-premise server infrastructure.

With regard to long-term sustainability, FEI continues to invest in the reliability and resiliency of its system, is pursuing Clean Growth Initiatives such as RNG projects, and continues to look for opportunities to grow its LNG service, particularly through marine fueling which has shown rapid growth in recent years (please refer to the response to CEC IR1 2.1) and has already provided significant benefits to customers through increased revenue (thus mitigating delivery rate increases).

6. Reference: Exhibit B-2, page 6 and Section 11, Schedule 27

1.4.7 Financing and Return on Equity (Section 8)

Financing impacts FEI's deficiency through changes in financing rates, as well as changes in the ratio of long-term debt versus short-term debt.

For 2027, FEI is forecasting a mid-year long-term debt issue of $600 million at a rate of 4.90 percent. This results in an average long-term rate of 4.74 percent embedded in the 2027 Forecast revenue requirement, which is 0.01 percent higher than the average long-term debt rate of 4.73 percent embedded in the 2026 Approved revenue requirement. FEI is forecasting a short-term debt rate of 3.72 percent, which is an increase from the 3.38 percent short-term debt rate embedded in the 2026 Approved revenue requirement. Overall, the 2027 deficiency is forecast to increase by $0.769 million due to the changes in financing rates (primarily due to the increase in the short-term debt rate) and by $0.019 million due to the changes in the financing ratio between long-term and short-term debt. Combining the impacts of the financing rate changes and ratio changes, the 2027 deficiency is forecast to increase by $0.788 million.

FEI utilizes the approved capital structure and return on equity (ROE) of 45.0 percent and 9.65 percent, respectively, to develop the 2027 revenue requirement.

8.3.1 Long-Term Debt

FEI is both a private and public issuer of long-term debt. FEI plans to issue long-term debt of approximately $400 million[50] in 2026 and approximately $600 million in 2027. FEI will use the funds to repay existing indebtedness and finance the Company's capital expenditure program. Both the 2026 and 2027 debt issuances are reflected in the financial schedules at a rate of 4.90 percent.[51] The exact timing, amount and rate of the issuance will depend on future market conditions and capital expenditure requirements. Variances in interest expense related to the timing and amount of the issuances of debt or the rates at which they are issued are captured in the Flow-through deferral account.

FORTISBC ENERGY INC. FEI Annual Review for 2027 Rates - July 24, 2026 S

EMBEDDED COST OF LONG TERM DEBT
FOR THE YEAR ENDING DECEMBER 31, 2027
($000s) Sch

Line No.	Particulars	Issue Date	Maturity Date	Net Proceeds of Issue	Average Principal Outstanding	Interest * Rate	Interest Expense	Cross
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8
1	Medium Term Note - Series 11	September 21, 1999	September 21, 2029	$ 147,710	$ 150,000	7.073%	$ 10,610	
2	2004 Long Term Debt Issue - Series 18	April 29, 2004	May 1, 2034	148,085	150,000	6.598%	9,897	
3	2005 Long Term Debt Issue - Series 19	February 25, 2005	February 25, 2035	148,337	150,000	5.980%	8,970	
4	2006 Long Term Debt Issue - Series 21	September 25, 2006	September 25, 2036	119,216	120,000	5.595%	6,714	
5	2007 Medium Term Debt Issue - Series 22	October 2, 2007	October 2, 2037	247,697	250,000	6.067%	15,168	
6	2008 Medium Term Debt Issue - Series 23	May 13, 2008	May 13, 2038	247,588	250,000	5.869%	14,673	
7	2009 Med.Term Debt Issue- Series 24	February 24, 2009	February 24, 2039	98,766	100,000	6.645%	6,645	
8	2011 Medium Term Debt Issue - Series 25	December 9, 2011	December 9, 2041	98,590	100,000	4.334%	4,334	
9	2015 Medium Term Debt Issue - Series 26 (Series A Renewal)	April 13, 2015	April 13, 2045	148,938	150,000	3.413%	5,120	
10	2016 Medium Term Debt Issue - Series 27 (Series B Renewal)	April 8, 2016	April 8, 2026	138,709	-	2.644%	-	
11	2016 Medium Term Debt Issue - Series 28	April 8, 2016	April 9, 2046	148,746	150,000	3.716%	5,574	
12	2016 Medium Term Debt Issue - Series 29	December 13, 2016	March 6, 2047	148,865	150,000	3.822%	5,733	
13	2017 Medium Term Debt Issue - Series 30	October 30, 2017	October 30, 2047	173,584	175,000	3.735%	6,536	
14	2018 Medium Term Debt Issue - Series 31	December 7, 2018	December 7, 2048	198,351	200,000	3.897%	7,794	
15	2019 Medium Term Debt Issue - Series 32	August 9, 2019	August 9, 2049	198,500	200,000	2.857%	5,714	
16	2020 Medium Term Debt Issue - Series 33	July 13, 2020	July 13, 2050	198,392	200,000	2.579%	5,158	
17	2021 Medium Term Debt Issue - Series 34	April 14, 2021	July 18, 2031	148,984	150,000	2.495%	3,743	
18	2022 Medium Term Debt Issue - Series 35	November 28, 2022	November 28, 2052	148,697	150,000	4.724%	7,086	
19	2025 Medium Term Debt Issue - Series 36	October 16, 2025	October 16, 2030	198,771	200,000	3.515%	7,030	
20	2026 Medium Term Debt Issue (Series B Renewal)	September 1, 2026	September 1, 2056	387,820	391,737	4.964%	19,448	
21	2027 Medium Term Debt Issue	July 1, 2027	July 1, 2057	594,000	302,466	4.964%	15,014	
22								
23	FEVI L/T Debt Issue - 2008	February 16, 2008	February 15, 2038	247,999	250,000	6.109%	15,273	
24	FEVI L/T Debt Issue - 2010	December 6, 2010	December 6, 2040	98,836	100,000	5.278%	5,278	
25								
26	Total				$ 4,039,203		$ 191,512	
27								
28	Average Embedded Cost					4.74%		
29								
30	* Interest Rate is Effective Interest Rate as it includes amortization of debt issue costs							

6.1 The CEC would like to understand the potential for limiting the cost of long-term debt. Please discuss the ways that FEI can work to reduce this debt and/or the cost of the debt.

Response:

FEI's capital structure approved by Order G-236-23, which FEI is required to maintain, is currently set at 55 percent debt and 45 percent equity. As FEI incurs capital expenditures and increases its rate base, it will require additional financing at the approved capital structure, requiring FEI to raise additional debt financing to maintain the approved ratio of debt and equity.

While debt levels are maintained consistent with the approved structure, FEI employs a range of strategies to help mitigate the cost of debt. For example, FEI has access to a credit facility that is used to meet funding requirements as they arise. Credit facilities provide access to short-term financing and offer greater flexibility, typically at borrowing costs that are lower than those associated with long-term debt issuances. While credit facilities are not a permanent substitute for long-term financing and are not intended to support long-term business growth due to their shorter repayment terms, they can provide valuable flexibility for FEI to select the timing of long-term debt issuances. In addition, credit facilities serve as an important risk mitigation tool by providing a readily available source of liquidity during periods of significant market disruption when access to other forms of capital may be limited. As a result, FEI seeks to maintain sufficient unused capacity within its credit facility when possible.

While credit facilities and commercial paper provide a cost-effective source of short-term funding, FEI maintains a balanced funding strategy that includes long-term debt. Long-term debt mitigates refinancing risk and interest rate volatility by locking in funding over longer horizons. It also diversifies funding sources beyond short-term capital markets, providing access to a broader and more stable debt investor base and enhances financing resilience during periods of market stress.

Other strategies to mitigate higher interest rates on long-term debt include accessing funding through alternative financing instruments, such as CORRA-based loans or Prime Rate loans.

7. Reference: Exhibit B-2, page 73

Table 8-1: Short Term Interest Rate Forecast

FEI Short Term Interest Rate	2026 Approved	2026 Projected	2027 Forecast
3-Month T-Bill Rate[1]	2.20%	2.30%	2.70%
Spread to CORRA	0.44%	0.39%	0.39%
CORRA Rate	2.64%	2.69%	3.09%
Spread to CP	-0.36%	-0.44%	-0.44%
CP Dealer Commission	0.10%	0.10%	0.10%
ST Interest Rate on Credit Facility	2.38%	2.35%	2.75%
Fixed Financing Fees			
Stanby fee on Undrawn Credit[2]	0.72%	0.72%	0.72%
Renewal Fee[3]	0.16%	0.14%	0.14%
Other Financing Fees[4]	0.12%	0.12%	0.12%
ST Interest Rate on Fixed Financing Fee	1.00%	0.97%	0.97%
FEI Short Term Rate	3.38%	3.32%	3.72%

Notes to table:

1 The 3-month T-Bill rate for 2027 is an average rate based on forecasts provided by Canadian Chartered banks in July 2026.

2 The forecast assumes FEI will borrow through commercial paper and a standby fee of 16 bps is charged on undrawn credit facility amounts. The fee has been converted into a short-term rate for forecast purposes.

3 The renewal fee is paid to extend the maturity date of the credit facility and is charged on the principal amount of $900 million. The renewal fee is paid regardless of whether FEI draws from the credit facility. The fee has been converted into a short-term rate for forecast purposes.

4 Other financing fees include commercial paper issuance fees, letter of credit fees and miscellaneous bank administration costs. These fees are incurred regardless of whether FEI draws from the credit facility. The fees have been converted into a short-term rate for forecast purposes.

As shown in Table 8-1 above, the short-term borrowing rates for 2026 Projected and 2027 Forecast are 3.32 percent and 3.72 percent, respectively. The short-term rate is comprised of the short-term interest rate on FEI's credit facility and the short-term interest rate on fixed financing fees. The 2027 Forecast rate is higher than the 2026 Projected and 2026 Approved rates primarily due to a higher forecast 3-Month T-Bill rate. The higher forecast 3-Month T-Bill rate reflects changes in market expectations for the future path of the Bank of Canada policy rate, which is the primary driver of short-term yields.

The short-term interest rate on fixed financing fees for 2027 is consistent with the 2026 Projected rate.

7.1 Please elaborate on changes to items such as the Spread to CORRA which has declined from 2026 Approved to 2026 Projected and 2027 Forecast.

Response:

FEI discusses the spread to CORRA and the spread to commercial paper below.

Spread to CORRA

The spread to CORRA is calculated as the difference between a 3-year weighted average CORRA rate and a 3-year weighted average 3-month T-Bill rate. As CORRA replaced the Canadian Deposit Overnight Rate (CDOR) as a benchmark for financial instruments in 2024, the 3-year weighted average CORRA rate is a blended rate comprised of CORRA and CDOR rates. In estimating the spread to CORRA for 2026 and 2027, the 3-year weighted average included the period from July 2023 to July 2026. In that period the CORRA/CDOR rate was 3.90 percent compared to the 3-year weighted average 3-month T-Bill rate of 3.51 percent, resulting in a spread of 0.39 percent for 2026. As FEI does not have access to forecast CORRA rates, FEI uses the same spread to CORRA as in 2026 to estimate the forecast CORRA rate for 2027.

For 2026 Approved, which was estimated in the summer of 2025, the 3-year weighted average period included June 2022 to June 2025. In that period, the 3-year weighted average CORRA/CDOR rate was 4.50 percent compared to a 3-month T-Bill rate of 4.06 percent, resulting in a spread to CORRA of 0.44 percent.

Based on the above, the small decrease in the spread to CORRA from 0.44 percent in 2026 Approved to 0.39 percent in 2026 Projected and 2027 Forecast was due to a narrower gap between 3-month T-Bill Rates and CORRA/CDOR rates in the period from July 2023 to July 2026 compared to June 2022 to June 2025.

Spread to Commercial Paper

As discussed in the Application, FEI's short-term borrowing rate is based on the rate at which it issues commercial paper. Since commercial paper issuance rates are not forecast by economists, a forecast needs to be derived by FEI. The forecast is based on the historical differential between the Canadian benchmark rate (CORRA/CDOR) and the rate obtained by FEI under its commercial paper program. CORRA (previously CDOR) is used because FEI's short-term borrowings under its credit facility are priced based on CORRA (previously CDOR) and therefore CORRA (previously CDOR) is tracked relative to FEI's commercial paper borrowings. As both CORRA and CDOR are not forecast by economists, FEI must first obtain the 3-month T-Bill rate forecast and then convert it to a CORRA/CDOR forecast. FEI does this by taking the 3-year historical spread between CORRA/CDOR and the 3-month T-Bill rate. Then, to derive the short-term borrowing rate forecast, FEI adjusts the CORRA/CDOR forecast by adding a spread to commercial paper which is a 3-year historical spread between CORRA/CDOR and rates of issuances under FEI's commercial paper program.

1 **8. Reference: Exhibit B-2, page 5 and page 123 and 124**

1.4.6 Amortization of Deferral Accounts (Section 7 and Section 12)

Amortization of deferral accounts in 2027 is forecast to decrease by $9.008 million, primarily resulting from a credit amortization of approximately $19.185 million from the Emissions Regulation deferral account for the monetization of carbon credits through Canada's Clean Fuel Regulations (CFR) in 2026, and a credit amortization of approximately $26.929 million from the non-rate base Flow-through deferral account, as discussed in Section 12.4.2.2. The credit amortization is partially offset by the amortization of the 2023-2025 Revenue Deficiency deferral account, which begins on January 1, 2027, as well as increased amortization from the DSM

In accordance with the method set out in the table above, the calculation of the 2026 Projected Flow-through amount (credit of $20.492 million) is shown in Table 12-3 below. To calculate the overall combined amount to be distributed to customers (credit of $26.929 million), FEI has also included the following adjustments:

- The $4.715 million credit difference between the projected ending 2025 deferral account balance of zero[57] embedded in 2026 delivery rates, and the actual ending 2025 deferral account credit balance of $4.715 million. A more detailed breakdown of the 2025 variance is provided in Table 12-4 below;
- The $0.931 million credit difference between the forecast 2026 financing addition of zero[58] embedded in 2026 delivery rates, and the projected 2026 financing addition of $0.931 million credit embedded in this Application; and
- 2027 forecast financing of a $0.791 million credit.[59]

Table 12-3: 2026 Projected Flow-through Deferral Account Additions ($ millions)

Line No.	Particulars (1)	2026 Approved (2)	2026 Projected (3)	After-Tax Flow-Through Variance (4)
1	**Delivery Margin**			
2	Residential (Rate 1)	$ (822.807)	$ (820.913)	$ 1.894
3	Commercial (Rate 2, 3, 23)	(400.404)	(391.490)	8.914
4	Industrial (All Others)	(164.508)	(187.155)	(22.647)
5				
6	**Net O&M Expense**			
7	Pension & OPEB	5.725	5.725	-
8	Insurance	12.748	11.816	(0.932)
9	Integrity O&M	12.000	12.900	0.900
10	AMI Flowthrough O&M	25.578	26.334	0.756
11	BCUC Fees	8.208	7.642	(0.566)
12	RNG O&M	7.946	7.777	(0.169)
13	Renewable Gas Development	5.084	5.400	0.316
14	NGT O&M	2.994	2.934	(0.060)
15	Variable LNG Production	11.038	13.260	2.222
16	O&M transferred to RNG Account	(7.946)	(7.777)	0.169
17	Capitalized Overhead	(60.237)	(60.237)	-
18				
19	**Depreciation and Amortization**			
20	Amortization of Deferrals	179.856	179.856	-
21	Depreciation variance on Clean Growth Projects/CPCNs/Exogenous Capital	-	-	-
22	CIAC Amortization variance on Clean Growth Projects/CPCNs/Exogenous Capital	-	-	-
23				
24	**Total Property Taxes**	88.576	95.026	6.450
25				
26	**Other Revenues**			
27	SCP Third Party Revenue	(13.284)	(13.284)	-
28	NGT Tanker Rental Revenue	(1.067)	(0.970)	0.097
29	RNG Other Revenue	(7.592)	(7.358)	0.234
30	LNG Capacity Assignment	(18.039)	(18.039)	-
31	CNG & LNG Service Revenues	(2.443)	(2.226)	0.217
32				
33	**Interest Expense**			
34	Long-term debt interest expense variance	172.987	164.495	(8.492)
35	Interest variance on Clean Growth Projects/CPCNs/Exogenous Capital	-	-	-
36	Short-term debt rate variance	-	(0.146)	(0.146)
37	Short-term debt volume variance from long-term debt issue variance	-	2.542	2.542
38	Short-term debt timing variance from long-term debt issue timing	-	2.051	2.051
39				
40	**Income Tax Expense**			
41	Income tax variance on Clean Growth Projects/CPCNs/Exogenous Capital	-	-	-
42	Income tax/CCA rate changes	-	(15.930)	(15.930)
43	Income tax on taxable flowthrough variances above (excl. Clean Growth Projects/CPCNs/Exogenous Capital)	-	1.687	1.687
44				
45	**2026 After-Tax Flow-Through Addition to Deferral Account (excluding Financing)**			**(20.492)**
46				
47	2025 Ending Deferral Account Balance True-up			(4.715)
48	2026 Financing True-up			(0.931)
49	2027 Financing Addition to Deferral Account			(0.791)
50				
51	**2027 After-Tax Amortization**			**(26.929)**

8.1 Please elaborate on the credit amortization of $19,185 arising from the Emissions Regulation Deferral Account, pointing out where this is in Table 12-3.

Response:

The credit amortization of $19.185 million in the Emission Regulation Deferral Account is primarily related to the monetization of approximately 60,850 *Clean Fuel Regulations* (CFR) Liquid Class Credits, all attributed to FEI's LNG sales. The gross value of the credits sold is $26.622 million, less costs/fees and taxes for a net total of $19.185 million.

FEI notes this amount is not included in Table 12-3 of the Application, which shows the breakdown of additions to the Flow-through deferral account. Emission credits are not captured in the Flow-through deferral account; they are captured directly in the approved Emission Regulation deferral account. The $19.185 million credit amortization is shown in Section 11, Schedule 11, Line 16, Column 6.

8.2 Please discuss the $22.647 million arising from the variance in the Industrial Delivery Margin, pointing out the reasons for the substantial magnitude.

Response:

As explained in Section 12.4.2.2.1 of the Application, the $22.647 million variance in the industrial delivery margin shown in Table 12-3 of the Application is almost entirely attributable to the significant increase in LNG sales under RS 46, which is projected to be approximately 2.5 PJ (or 75.6 percent) higher than the 2026 Approved level.

9. Reference: Exhibit B-2, page 6, page 75

1.4.8 Taxes (Section 9)

FEI's 2027 property taxes are forecast to increase by $11.813 million or 13.2 percent from 2026 Approved. The increase is primarily driven by higher assessed values.

There has been no change in the income tax rate of 27 percent from 2026. Income taxes are projected to decrease in 2027 by $34.104 million or 30.3 percent from 2026 Approved. The decrease in income tax in 2027 is primarily related to higher income tax deductions through Capital Cost Allowance (CCA). The drivers of the higher deductions are higher undepreciated capital cost (UCC) additions in 2027, the new legislation introduced by the Federal government for productivity-enhancing assets eligible for 100 percent CCA deduction, and the reinstatement of the Accelerated Investment Incentive rules enabling additional CCA deductions for qualifying expenditures made after January 1, 2025 and before 2034. The decrease from additional CCA deductions is partially offset by a higher rate base and higher depreciation of property, plant and equipment in 2027.

Overall, FEI is forecasting a decrease in tax expenses in 2027 of approximately $22.291 million.

Table 9-1: Property Tax Components ($ millions)

Line No.	Description	2026 Approved	2026 Projected	2027 Forecast
1	Distribution Assets	$ 33.291	$ 34.741	$ 37.857
2	Transmission Assets	23.485	28.255	29.172
3	Gas Storage Assets	8.393	8.526	8.899
4	Manufactured Gas Assets	0.072	0.055	0.054
5	General Assets	7.027	7.146	7.456
6	In-Lieu	16.203	16.081	16.749
7	BCER Fees	0.295	0.283	0.285
8	Total Property Taxes	88.766	95.087	100.471
9	Less: Property Tax Transferred to RNG	(0.190)	(0.061)	(0.082)
10	Net Property Tax	88.576	95.026	100.389
11				
12	2026 Projected and 2027 Forecast Compared to 2026 Approved		7.3%	13.2%
13	2027 Forecast Compared to 2026 Projected			5.7%

9.1 FEI is forecasting a decrease in overall taxes; which occurs primarily because an increase in CCA deductions more than offsets the anticipated increase in property taxes. Please provide five years of historical property taxes.

Response:

The requested information is provided in Table 1 below.

Table 1: 2021-2027 Property Tax Expenses ($000s)[1]

Line No	Description	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Actual	2026 Approved	2026 Projected	2027 Forecast
1	Distribution Assets	26,438	25,418	29,041	30,049	31,584	33,291	34,741	37,857
2	Transmission Assets	19,396	20,627	22,150	24,406	25,939	23,485	28,255	29,172
3	Gas Storage Assets	7,042	6,811	6,878	7,392	7,987	8,393	8,526	8,899
4	Manufactured Gas Assets	36	41	46	50	54	72	55	54
5	General Assets	4,938	5,372	5,909	6,615	6,644	7,027	7,146	7,456
6	In-Lieu	12,563	13,507	16,328	19,993	18,255	16,203	16,081	16,749
7	OGC Fees	282	282	292	292	292	295	283	285
8	Total Property Taxes	70,694	72,058	80,644	88,796	90,755	88,766	95,087	100,471
9	Less: Property Tax Transferred to BVA	(83)	(75)	(92)	(77)	(126)	(190)	(61)	(82)
10	Net Property Tax Expense	70,611	71,983	80,552	88,719	90,629	88,576	95,026	100,389
11									
12	Change from Prior Year		1.9%	11.9%	10.1%	2.2%	-2.2%	7.1%	5.7%

9.2 FEI's property taxes for 2027 are more than 13% higher than the 2026 Approved, please explain why FEI has not challenged the property tax assessments proving its understanding of what is driving and what should be driving such significantly higher property values.

Response:

The increase in 2027 property taxes relative to the 2026 Approved level is primarily driven by higher forecast pipeline assessed values resulting from inflationary pressures on construction and material costs. The forecast also reflects increases projected for 2026, with approximately half of the total increase (7.3 percent) expected to occur in 2026. As a result, the 2027 forecast is largely based on higher 2026 projected/actual property taxes.

FEI reviews its property assessments annually and considers whether there are grounds for assessment appeals on a folio-by-folio basis. Based on current assessment methodologies applied by BC Assessment and the factors affecting assessed values, FEI does not believe the forecast increases are inconsistent with applicable assessment practices or legislative requirements.

FEI will continue to review future assessments and pursue appeals where it determines that assessed values do not appropriately reflect the requirements of the *Assessment Act* or applicable assessment methodologies.

[1] Commencing in 2023, the FEI Fort Nelson service area has transitioned to common rates with the rest of FEI. Accordingly, 2021 and 2022 Actuals exclude the Fort Nelson service area.

9.3 Please discuss what actions FEI could, or plans to, undertake to maximize the benefits from the available CCA deductions or other Federal government policies. Please provide quantification.

Response:

FEI seeks to take the maximum CCA deductions or other Federal grants/incentives available to it each year and to include them in the calculation of income tax to determine delivery rates. The additional CCA deduction discussed in Sections 1.4.8 and 9.3 of the Application is referring to the reinstatement of the Accelerated Investment Incentive (AII) rules that received royal asset on March 26, 2026. As such, FEI is only able to start claiming benefits associated with the AII rules starting in the 2027 rate-setting year and has done so immediately as part of this Application. The reinstatement of the AII rules helped to reduce FEI's revenue deficiency by approximately $36.028 million or 2.69 percent in 2027.

10. Reference: Exhibit B-2, pages 7, 128, 131 and 134

In 2025, for the eight SQIs with benchmarks, six performed at or better than the approved benchmarks, with two SQIs (Emergency Response Time and First Contact Resolution) below their respective benchmarks but above the thresholds. Regarding the informational indicators, the performance generally remains at a level consistent with prior years. In 2026 to date, performance for the metrics with benchmarks is trending towards meeting the benchmark or the threshold.

In this section, FEI reports on its 2025 and June 2026 year-to-date (YTD) performance as measured against the SQI benchmarks and thresholds. In 2025, for the eight SQIs with benchmarks, six performed at or better than the approved benchmarks, with two SQIs (Emergency Response Time and First Contact Resolution) below their respective benchmarks but above the thresholds. Regarding the informational indicators, the performance generally remains at a level consistent with prior years. In 2026 to date, performance for the metrics with benchmarks is trending towards meeting the benchmark or the threshold.

Table 13-1: Approved SQIs, Benchmarks and Actual Performance

Performance Measure	Description	Benchmark	Threshold	2025 Results	2026 June YTD Results
Safety SQIs					
Emergency Response Time	Percent of calls responded to within one hour	>= 97.7%	96.2%	96.6%	96.7%

Table 13-2: Historical Emergency Response Time

Description	2020	2021	2022	2023	2024	2025	June 2026 YTD
Results	97.7%	97.7%	97.7%	97.5%	97.5%	96.6%	96.7
Benchmark	97.7%						
Threshold	96.2%						

Performance Measure	Description	Benchmark	Threshold	2025 Results	2026 June YTD Results
Public Contacts with Gas Lines	Current year average of number of line damages per 1,000 BC One calls received	<= 6	10	5	4
Responsiveness to the Customer Needs SQIs					
First Contact Resolution	Percent of customers who achieved call resolution in one call	>= 78%	74%	75%	76%

Table 13-6: Historical First Contact Resolution Levels

Description	2020	2021	2022	2023	2024	2025	June 2026 YTD
Annual Results	81%	79%	78%	77%	80%	75%	76%
Benchmark	78%						
Threshold	74%						

10.1 Recognizing that the Benchmark is the target (not the 'Threshold'), for both the 'Emergency Response Time' and the 'First Contact Resolution' please confirm that it is appropriate for the indicators to trend towards Benchmark (not Threshold), and provide a full discussion of when and how FEI expects the indicators to reach 'Benchmark'.

Response:

FEI treats the SQI benchmarks as targets and endeavors to achieve benchmark levels of performance. However, there are many factors that can impact the Company's ability to achieve a benchmark level of performance, which is why annual performance is assessed based on both threshold and benchmark levels. As established in Order G-14-15, performance within the range between the threshold and benchmark is acceptable.

The below-benchmark performance in 2025 for the Emergency Response Time SQI is primarily attributable to operating conditions within FEI's Lower Mainland service territory, where higher population growth has increased the number of passenger vehicles and contributed to higher levels of road congestion. In addition, major transportation and infrastructure construction projects throughout the region, together with large-scale events in the downtown core have affected travel times and operational efficiency, placing pressure on FEI's ability to consistently achieve the benchmark.

While Emergency Response Time performance improved modestly in the first half of 2026 relative to 2025, FEI continues to focus on operational improvements, resource deployment, and process optimization to support a return to benchmark performance.

Regarding the First Contact Resolution (FCR) SQI, FEI places significant priority on understanding customer experience and uses customer feedback to identify opportunities for improvement. Insights gathered through customer surveys are incorporated into employee coaching, training, operational process reviews, and service enhancements, all of which are expected to result in the FCR trending towards the benchmark in 2026.

FEI also recognizes that customer expectations continue to evolve. While FEI currently relies primarily on post-contact telephone surveys to gather customer feedback, it is assessing additional approaches to better capture customer perspectives and understand changing customer expectations. These efforts are intended to provide a more comprehensive understanding of the customer's experience and customer expectations regarding FCR. Accordingly, FEI expects that the combination of customer driven process improvements, targeted employee development, and enhanced customer feedback mechanisms will support FCR performance remaining within the acceptable range and trending towards benchmark.